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The Public Service Commission State of South Carolina

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November 10, 2005

Certified Mail
Return Receipt Requested

Bonnie D. Shealy, Esquire
Robinson McFadden & Moore, PC
P. O. Box 944
Columbia, SC 29202

Wendy B. Cartledge, Esquire
Office of Regulatory Staff
P.O. Box 11263
Columbia, SC 29211

Re: Application of Convergia, Inc.
Commission Docket No. 2004-328-C

Dear Bonnie and Wendy:

Enclosed please find a proposed order in the above-captioned docket, which is being delivered to you pursuant to the requirements of 26 S.C. Code Ann. Regs. 103-865(C). As parties of record in the Convergia case, you have ten (10) days from your receipt of this proposed order to file exceptions, present briefs, and/or file written requests for oral argument to the Commission, if you should desire to do so. If none of these are received by me within ten (10) days of your receipt of the proposed order, I will request that the Commission issue its order in this case based upon the record of the formal proceeding and the proposed order.

Thank you in advance for your consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "F. David Butler". The signature is written in a cursive, flowing style.

F. David Butler
Hearing Examiner

FDB:dd
cc: Joseph Melchers, Chief Legal Advisor

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2004-328-C - ORDER NO. 2005-
NOVEMBER 10, 2005

IN RE: Application of Convergia, Inc. for a	) ORDER
Certificate of Public Convenience and	) GRANTING
Necessity to Provide Intrastate Resold	) CERTIFICATE FOR
Telecommunications Services within the State	) INTEREXCHANGE
of South Carolina and for Alternative	) AUTHORITY AND
Regulation.	) MODIFIED
	) ALTERNATIVE
	) REGULATION-
	) PROPOSED ORDER OF
	) HEARING EXAMINER

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of Convergia, Inc. ("Convergia" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to operate as a reseller of interexchange telecommunications services within the State of South Carolina. The Company's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 2004) and the general regulatory authority of the Commission. By its Application, Convergia also requests alternative regulation of its business services offerings identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C, as modified by Commission Order No. 2001-997 in Docket No. 2000-407-C, and further requests waiver of certain Commission regulations.

The Commission's Docketing Department instructed Convergia to publish, one time, a Notice of Filing in newspapers of general circulation in the areas of the state affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the Application of Convergia and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. Convergia complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene or Protests were filed.

This Commission appointed Mr. David Butler as hearing examiner in this case in Order No. 2005-165, pursuant to the authority granted in S.C. Code Ann. Section 58-9-1020 (1976). Subsequent to the hearing in this matter, and pursuant to 26 S.C. Code Ann. Regs. 103-865, Mr. Butler submitted a proposed order to the parties in this matter, and gave those parties ten days after receipt of that Order to file exceptions to the Order, briefs, or a request for oral argument before this Commission. No exceptions, briefs, or requests for oral argument were received. Accordingly, we will decide the matter based on the record of the case and the proposed Order as submitted by the hearing examiner.

A hearing was convened on November 7, 2005, at 10:00 a.m. in the offices of Garber Reporting Service, Columbia, South Carolina before hearing examiner Butler. Convergia was represented by Bonnie D. Shealy, Esquire. Wendy B. Cartledge, Esquire, represented the Office of Regulatory Staff. Prior to the testimony being presented in the case, the parties announced a settlement of the issues in the case. The settlement agreement was entered into the evidence as Hearing Exhibit 1, and is attached hereto as Order Exhibit 1.

Peter Blagojevic and Maximo Aybar appeared via videoconference from Montreal, Quebec, Canada, and testified in support of the Application. Mr. Blagojevic is the Corporate Marketing Manager for Convergia. Mr. Aybar is Senior Corporate Accountant for the Company. The record reveals that Convergia is incorporated in the State of Delaware and registered to transact business in South Carolina as a foreign corporation. The Company is headquartered in Pointe Claire, Quebec. According to Mr. Blagojevic, Convergia proposes to operate as a reseller of intrastate interexchange telecommunications services to the public on a statewide basis and to offer a wide range of One Plus and Toll Free interexchange telecommunications services on a resale basis. Mr. Blagojevic explained the Company's request for authority, and the record reveals the Company's services, operations, and marketing procedures.

With regard to marketing procedures, Mr. Blagojevic testified that the Company plans to market its services through both inside sales staff and independent agents, using a variety of channels, including direct marketing, advertising, and the Internet. Convergia does not intend to use telemarketing to sell its products in South Carolina, according to Mr. Blagojevic.

Mr. Blagojevic also discussed Convergia's technical, financial, and managerial resources to provide the services for which it seeks authority to provide. Mr. Blagojevic offered that Convergia possesses sufficient financial resources to support its operations in South Carolina. With regard to management and technical capabilities, Mr. Blagojevic testified that Convergia is currently licensed to provide telecommunications services in a number of states. Both the Company's Application and Mr. Blagojevic's testimony

evidence that the members of the management team of Convergia have extensive experience in marketing and communications. Mr. Blagojevic also testified that Convergia will operate in accordance with Commission rules, regulations, guidelines, and Commission Orders.

Mr. Blagojevic offered that approval of Convergia's Application would serve the public interest by increasing the level of long distance competition in South Carolina, by providing a high-quality alternative of long distance service, and by increasing consumer awareness of options and services available, thus encouraging the growth and success of competitive services.

Mr. Aybar elaborated on the Company's financial condition. He testified that the Company's increasing losses appearing in the Company's financial statements from 2002 to 2004 were a result, in part, of the Company doing wholesale business. He stated that the focus of the Company had shifted back to an emphasis on the retail side of the business, and that the losses should therefore be reduced. Further, the settlement agreement contained a document from an officer of Telsocomm Investments, Inc., which is Convergia's parent corporation. Telsocomm evidenced its intent to provide the necessary funds to Convergia to provide the proposed telecommunications services in South Carolina. The balance sheet of Telsocomm shows that that Company has the apparent ability to fulfill its commitment.

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Convergia is organized as a corporation under the laws of the State of Delaware and is authorized to do business as a foreign corporation in the State of South Carolina by the Secretary of State.

2. Convergia is currently licensed to operate as a telecommunications reseller in a number of states.

3. Convergia desires to operate as a reseller of interexchange telecommunications services in South Carolina.

4. We find that Convergia possesses the managerial experience and capability to operate as a non-facilities based reseller of interexchange services in South Carolina.

5. We further find, based on the recent financial records and balance sheets submitted by the Company and those of the parent corporation, Telsocomm, Inc., that Convergia possesses sufficient financial resources to provide the services as described in its Application.

6. We find that the issuance of a Certificate of Public Convenience and Necessity to Convergia to operate as a reseller of interexchange telecommunications services in South Carolina would be in the best interest of the citizens of South Carolina by increasing the level of long distance competition in South Carolina, by providing an alternative of long distance service, and by increasing consumer awareness of options and services available, thereby encouraging growth and success of competitive services.

7. We find that the Settlement Agreement should be approved.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission concludes that a Certificate of Public Convenience and Necessity should be granted to Convergia to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for Convergia for its resale of residential services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. Convergia shall not adjust its residential rates below the approved maximum level without notice to the Commission and to the public. Convergia shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16,

1993). Any proposed increase in the maximum rate level for residential services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 2004).

4. With respect to Convergia's business services, consumer card, and operator service offerings, the Commission adopts a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted for AT&T shall apply to Convergia also. These alternative regulation orders were modified by Order No. 2001-997 in Docket No. 2000-407-C which imposed a cap on operator-assisted calls where a consumer uses a local exchange carrier's calling card to complete calls from locations which have not selected the local exchange carrier as their toll provider.

Pursuant to Order No. 2001-997, this Commission modified the alternative regulation by the re-imposition of rate caps with regard to certain operator assisted calls where a customer uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider. Order

No. 2001-997, dated November 8, 2001, imposed a maximum cap of \$1.75 for operator surcharges for such calls, and a maximum cap of \$0.35 related to the flat per-minute rate associated with these calls. The re-imposition of rate caps for certain operator assisted calls has led to alternative regulation now being known as “modified alternative regulation.” The provisions of Order No. 2001-997 and the modification contained therein also apply to Convergia.

5. If it has not already done so by the date of issuance of this Order, Convergia shall file its revised tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order, and the Company’s Settlement Agreement with ORS, and, further shall be consistent with the Commission’s Rules and Regulations.

6. Convergia is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

7. With regard to the Company’s resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

8. Convergia shall resell the services of only those carriers authorized to do business in South Carolina by this Commission. If Convergia changes underlying carriers, it shall notify the Commission in writing.

9. With regard to the origination and termination of toll calls within the same LATA, Convergia shall comply with the terms of Order No. 93-462, Order Approving

Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the FCC pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209). Specifically, Convergia shall comply with the imputation standard as adopted by Order No. 93-462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by Order No. 93-462.

10. Convergia shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Convergia shall keep financial records on an intrastate basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the Commission's website at www.psc.sc.gov/reference/forms.asp. The title of this form is "Annual Report for Interexchange Companies." This form shall be utilized by the Company to file annual financial information with the Commission and the Office of Regulatory Staff and shall be filed no later than **April 1st**. Commission gross receipts forms are due to be filed with the Commission and the Office of Regulatory Staff no later than **August 31st** of each year. The proper form for filing gross receipts information can be found at the Commission's website at www.psc.sc.gov/reference/forms.asp, and the appropriate form is entitled "Gross Receipts for Utility Companies."

11. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission and the Office of Regulatory Staff in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Convergia shall file the names, addresses and telephone numbers of these representatives with the Commission and the Office of Regulatory Staff within thirty (30) days of receipt of this Order. The “Authorized Utility Representative Information” form can be found at the Commission’s website at www.psc.sc.gov/reference/forms.asp; this form shall be utilized for the provision of this information to the Commission. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

12. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

13. At the hearing, Convergia requested a waiver of 26 S.C. Code Ann. Regs. 103-610 (1976), which requires that records required by the Commission’s Rules and Regulations be maintained in South Carolina. The record reveals that Convergia’s principal headquarters will be located in Quebec, and Convergia requests permission to maintain its books and records at its headquarters in that Canadian province. The Commission finds Convergia’s requested waiver reasonable and understands the difficulty presented to Convergia should the waiver not be granted. The Commission

therefore grants the requested waiver that Convergia be allowed to maintain its books and records at its principal headquarters. However, Convergia shall make available its books and records at all reasonable times upon request by the Commission or the Office of Regulatory Staff and Convergia shall promptly notify both if the location of its books and records changes.

14. Convergia also requests that it be exempt from record keeping policies that require a carrier to maintain its financial records in conformance with the Uniform System of Accounts (USOA). The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, Convergia maintains its book of accounts in accordance with Generally Accepted Accounting Principles (GAAP). GAAP is used extensively by interexchange carriers. Moreover, Convergia asserts that because it utilizes GAAP, the Commission will have a reliable means by which to evaluate Convergia's operations and assess its financial fitness. Accordingly, Convergia hereby requests an exemption from the USOA requirements. We grant the Company's request for the reasons stated above.

15. Each telecommunications company certified in South Carolina is required to file annually the Intrastate Universal Service Fund (USF) worksheet. This worksheet provides the Commission and the Office of Regulatory Staff information required to determine each telecommunications company's liability to the State USF fund. The Intrastate USF worksheet is due to be filed with both the Commission and the Office of Regulatory Staff annually no later than **August 15th**.

16. The Settlement Agreement is approved.

17. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Randy Mitchell, Chairman

ATTEST:

G. O'Neal Hamilton, Vice Chairman

(SEAL)